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22 March 1960

CURRENT SUPPORT BRIEF

CURRENT SOVIET POLICY ON SALES OF GOLD

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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SECRETCURRENT SOVIET POLICY ON SALES OF GOLD

Soviet sales of gold in 1959, tentatively estimated at a minimum of \$225 million, ^{1/} mark the seventh consecutive year in which the USSR has appeared as a substantial seller of gold in international bullion markets. Soviet gold exports for the period 1953-59 now total well over a billion dollars, far exceeding gold exports during any comparable period in the history of the USSR. It is likely that these annual sales have become a regular feature of Soviet international financial operations.

It was not until 1953 that the USSR reemerged in the postwar period as a major exporter of gold. Soviet sales of gold during the period 1953-59 are estimated as follows:

1953	150
1954	93
1955	70
1956	154
1957	303
1958	182
1959	255

The absence of any significant sales during the period 1946-53 has been attributed, at least in part, to the relatively small volume of trade conducted with the Free World during this period and to the extensive exploitation of Satellite resources and foreign reparations which, in the form of unrequited imports, apparently obviated the necessity for any large-scale Soviet gold financing.

The most plausible explanation for the large Soviet gold sales in 1953 and 1957 has been the emergency economic assistance granted to the European Satellites in 1953 and 1956-57 which probably created a strain on Soviet foreign exchange reserves and which, when compounded in both periods by large Soviet purchases abroad, provided the impetus for the flows of Soviet gold.

During the Stalin period, gold was used only "if the need arose for urgent imports of certain commodities and if export commodity resources could not be mobilized fast enough for such imports." ^{2/} Needed imports were more frequently paid for either in commodities sorely needed at home or sold at substantial discount on western markets. Moreover, during the late 1930's the USSR drastically reduced imports and solicited foreign credits on which they had to pay interest, rather than part with a portion of its idle, and growing, gold reserve. Soviet gold, according to the Soviet economist A. Notkin, provided "the insurance necessary to protect the USSR from major shifts in international market conditions, the possibility of partial or general economic and financial blockade, the possibility of crop failure within the country, and the possibility of direct armed assault upon the USSR." ^{3/}

Annual sales of gold since 1953 suggest that they may be the result of some policy decision by post-Stalin Soviet leaders to increase imports above the level that could be readily financed by exports or other current earnings and to use gold regularly to supplement export earnings.

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Since World War II, the consolidation of Soviet military power, the rapid technological development of Soviet industry, and the creation of a Communist trading area to which is directed almost 3/4 of total Soviet trade, has presumably made the pre-war quest for the economic security afforded by large gold and currency reserves less imperative. "Under present conditions," states a Soviet textbook in 1954, "when the economic and political might of the Soviet Union is undergoing a gigantic growth, when it is no longer a socialist state surrounded by antagonistic capitalist countries, when two parallel world markets exist, and when the countries of the peoples' democracies, friendly to the USSR, have every year a greater share of its trade, the significance and function of currency reserves have changed." 4/ More recently Khrushchev, while admitting that "you won't get very far on gold reserves alone," declared "we are not advocates of sitting on sacks of gold." 5/

The large import requirements implicit in Seven-Year Plan goals, and the commitment of the present regime to improve the lot of the consumer which will undoubtedly cut into exportable supplies of timber and grains (traditionally, major Soviet exports to the West), suggest that any substantial expansion of Soviet imports probably cannot be financed entirely by a commensurate expansion of exports or other current earnings. In the absence of long-term commercial credits from the West, Soviet gold presumably will continue to find its way into Western markets in some volume.

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Sources:

1. "More Gold From Russia," The Economist, 9 Jan 60, p. 141. U.
2. A. M. Smirnov, Mezhdunarodnye raschety i kreditnye otnosheniia vo vneshnei torgovle SSSR /International Settlements and Credit Relations in USSR Foreign Trade/, Moscow, 1953, p 95. U.
3. A. Notkin, Ocherki teorii sotsialisticheskogo vosproizvodstva /Notes on the Theory of Socialist Reproduction/, Moscow, 1948, p 62. U.
4. A. M. Smirnov, and N. Liubimov, Vneshniaia torgovlia SSSR /Foreign Trade of the USSR/, Moscow, 1954, p 101. U.
5. The Journal of Commerce, 27 Mar 58. U.

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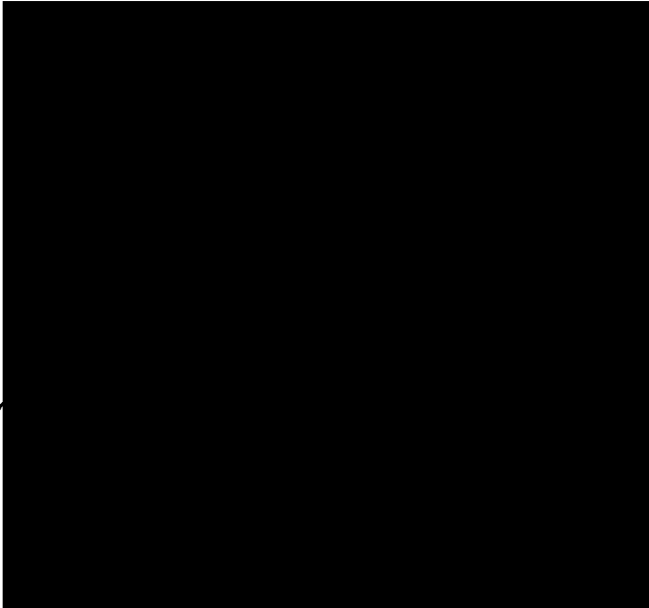
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